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ECONOMIC BEHAVIOR OF HOUSEHOLDS AND THEIR IMPACT ON THE DEVELOPMENT MODEL OF THE COUNTRY[1]

The article analyzes the motivation of the behavior of households as the most important factor that determines the choice of their strategy. Consequently, this choice has an impact both on the economy and global development. The results of the study determined that the world has two large economic models: European and Asian ones. The first one is a European model based on the paradigm of maximizing the well-being and the satisfaction of material goods, which is reflected in high consumption and low savings. The second one is an Asian model based on the understanding of the achievements of the welfare of households on the basis of prestige in the eyes of others through the prism of education, religiosity or moral principles of society, is inherent to a greater extent developing countries. As a result of this principle in Asian countries households have a high level of savings. However educated people tend to realize themselves in countries with the European model, which is more attractive for them. As a result of these contradictions, the world has created an imbalance, in which Asian countries with high saving rates are the suppliers of human resources and creditors for countries with the European model of development. System approach including comparative, intercountry, index and econometric ones is used in the research.

Keywords: households, economic behavior, welfare, education, Asian economic model, European economic model

Introduction

Household is the main and most adaptive subject of the social and economic system. Change in households' economic behavior in terms of transformational economy is a relevant issue for researchers. The integrated approach to studying households' consumer behavior in terms of territorial social and economic system will help to track the links that form consumer behavior at micro level and impact of this behavior parameters on macroeconomic indexes [1].

It should be noted that the model of household economic behavior isn't separable from its consumer functions which allow a family to realize the main objective – reproduction of human potential due to formation of material resources and to increase the educational level [2]. Forms of a household economic behavior can be listed as follows: labor and enterprise behavior of family members, saving and financial behavior, income formation and distribution, adaptation behavior during a downturn.

The consumer decisions made by separate households at the microeconomic level influence family welfare and educational opportunities in future, and at the macroeconomic level they are the most important factor of economy development [3].

It is known that households' economic behavior, according to the dominating neoclassical look in modern science, at the heart of households activity has the universal principle – rational welfare maximization [4]. Thus, the neoclassical approach assumes that households participants act consciously and prudently, having the full information thanks to which welfare maximization is possible [5].

Meanwhile, the reality far doesn't coincide with the ideal notion of the theory. The behavior of households in many respects is defined by their social environment, a system of values prevailing in this or that society as well as by a range of external factors limiting their behavior [6]. Influence of these factors forms not only the economic behavior of households but also in many respects defines the type of economic model.

In addition, the important setting impulse is the purposes of a household activity which can strongly differ in different economic systems. For example, in some countries welfare maximization means income maximization, whereas in other countries welfare is defined by public image through the prism of education level and the corresponding social status. Such serious distinctions form different models of households which in turn influence demography [7].

Along with it, other connection arises. Family budget opportunities and motivation of human development whereas the motivation and economic opportunities form the structure of education,

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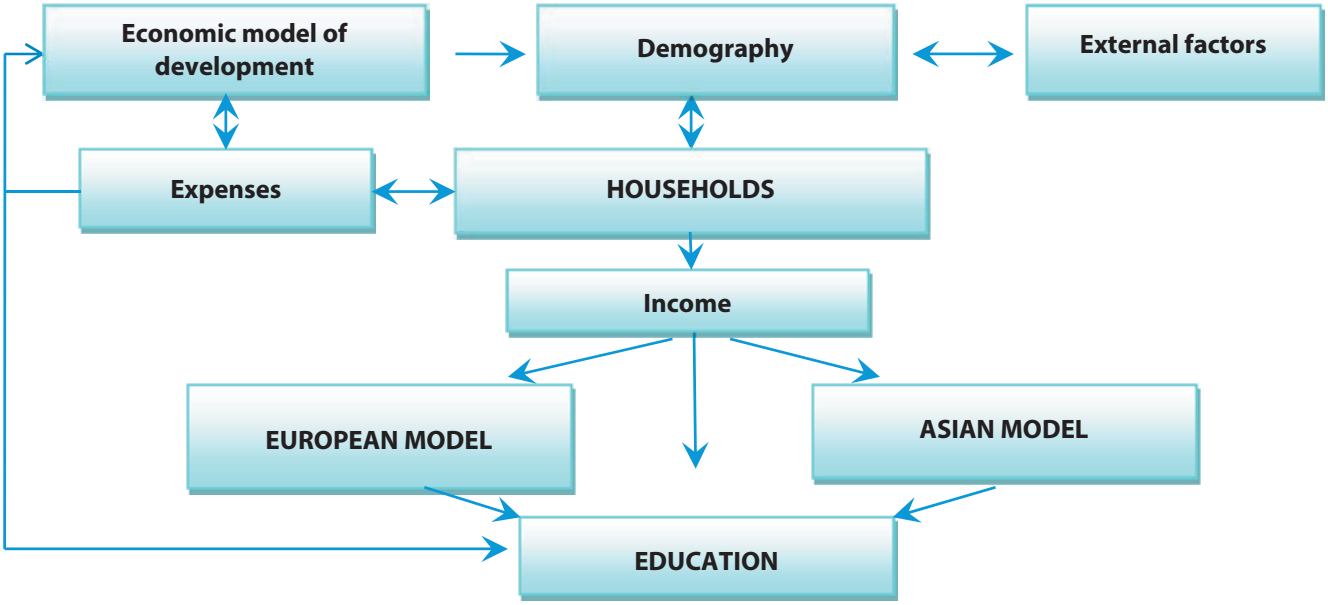


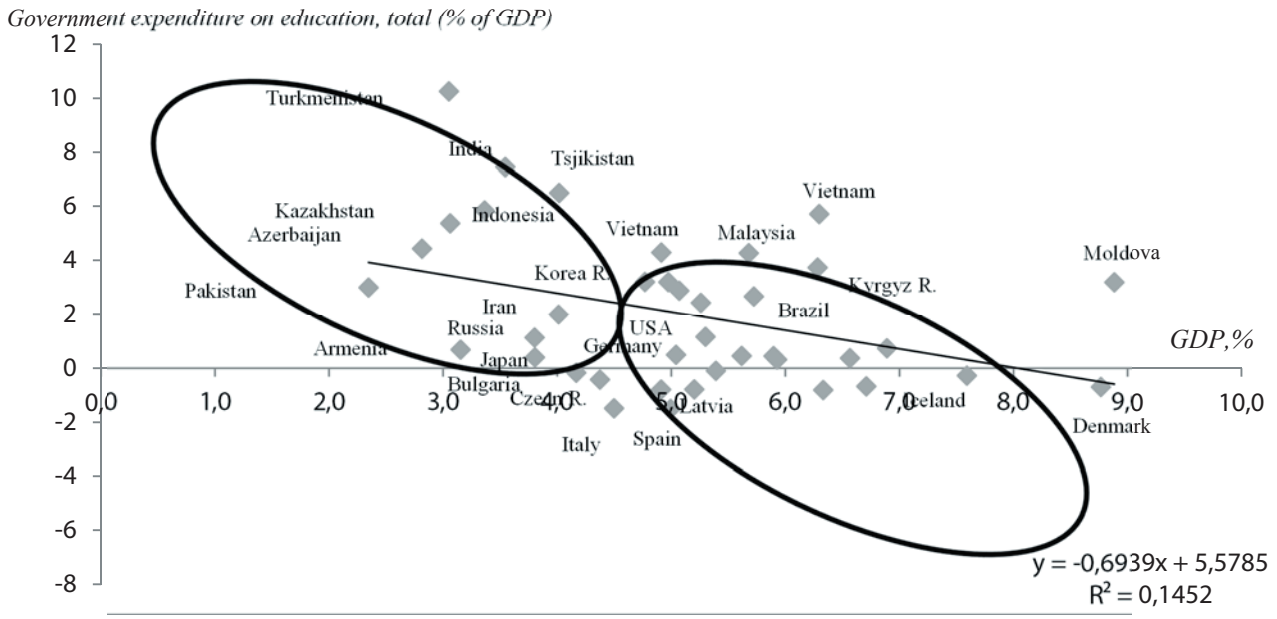
Fig. 1. *Relationship of factors influencing households' behavior*

including student's environment which in its turn forms economic and social relations in society [8]. Therefore, households and their economic behavior are difficult systems directly forming human capital (Fig. 1).

1. Education as a determining factor of households' behavior

Most of the researchers note that the higher the country development level is, the higher quality of human potential is. With that, the quality of human potential is understood as the developed education system in the country [9]. In that case, the higher public education expenditures are, the higher country development potential is. We will test this thesis for compliance with reality.

To answer the question, we analyzed the level of public education expenditures and its influence on economic growth in 40 countries of the world as arithmetic-mean data for 5 years (2009 - 2013). As figure 2 shows, there is a negative correspondence between expenses for education and economic development of the country. In other words, the assumption "the higher the country development level is, the higher quality of human potential is" is far from theoretical representation in reality.



Source: Done by authors on the basis of World Bank data, as the arithmetic mean across countries for the period of 2009–2013.

Fig. 2. *Government expenditure on education, total (% of GDP)*

We tried to get the facts straight and to analyze the situation in more detail. The analysis of the World Bank data shows that Asian countries spend more money for education, thus, their economic growth is higher, whereas in the European countries, it is possible to observe even negative expenses for education at average 3% economic growth.

This can be explained by the fact that in developed economies private schools have a larger value, and universities are services sector capable to make money in it [10]. Then, in this case, the state doesn't have a need to experience extensive expenditure on education.

Along with it, a fundamental difference of Asian countries from European ones is education prestige; therefore, the level of expenditure on it in these countries is higher, than in the European ones. The fact that the level of economic development in western countries is so attractive for labor migrants that population educated in other countries can be demanded in labor markets of developed economies is another answer to the question [11]. That is why the level of education expenditure is rather low in western countries. Therefore, the countries with European model of development, on one hand, are setting an impulse for global development of the world, and on the other hand, this development is provided at the expense of human potential which is formed in other countries.

Consumption of foreign human capital leads to hidden contradictions which are defined by national features of educational models putting distinctions at mental level that leads to formation of various models of households' economic behavior in the sphere of material benefits consumption [12].

2. Savings or consumption = Asian or European model

According to the ideas of economic science, countries with a high level of savings possess high potential for development. Meanwhile, the level of savings in a country is substantially connected with households' behavior, which can be in its turn created under the influence of various factors.

The comparative analysis of countries allowed to create an understanding of economic development model types, depending on the developed level of accumulation (Tab. 1). For this purpose, we ranged countries depending on the level of accumulation in the economy from country national income for average 5 years. Thus, we managed to divide the countries into 4 categories. Countries with the level of accumulation over 19% to 30% of gross national income were referred to the first category, from 10% to 19% got the second category, the third category includes countries from 9% to 3% and into the last category (outsiders), the countries with the negative level of accumulation or absence of data on this indicator were referred.

The leader among the countries with the high level of accumulation in the economy is China. High level of accumulation allowed the country to keep one of the highest rates of economic growth in the world. Such impressive indicators were reached, including, and due to the low level of households' consumption against high savings. A Higher level of thrift is inherent only in households in Turkmenistan, where its level makes nearly 90%.

According to our calculations, Asian developing countries and one European country – the Republic of Belarus were referred to the first category. In all these countries, household are notable for savings behavior. At the same time, it should be noted differences in the economic behavior of the population of Belarus from the behavior of the population of other Asian countries entering into the first group with the high level of savings. If in Asian countries, this phenomenon is behavior stereotype developed throughout many centuries which purposes is not postponed consumption but accumulation for future generations [13], in Belarus, this phenomenon can be connected with macroeconomic instability in the country and high rates of inflation.

Meanwhile, high rates of inflation have a negative impact on economic growth, despite the high level of accumulation in the economy, reducing thereby the potential of its development [14]. It is necessary to refer Russia to such countries as well. Economical behavior of households and, as a result, high level of savings in the economy, in terms of current inflationary processes considerably reduced economic potential in Russia.

Along with this, the developed countries with a low rate of inflation have a lower level of accumulation in the economy than Asian countries. It is also possible to mark out differences in households' behavior of European and Asian countries entering one category. The difference is connected with higher consumption expenses and lower level of savings.

The developed model of households along with educational behavior has an impact on country economic development [15]. So, the countries where households choose saving behavior have higher

Table 1

Indicators of savings, household savings and economic growth, on average for 2009–2013

Countries	Adjusted net savings, excluding particulate emission damage (% of GNI)	GDP growth (annual %)	GDP deflator (annual %)	Household final consumption expenditure, etc. (% of GDP)	Household savings (% of GDP)	Adjusted net national income (annual % growth)
Countries with the highest level of savings and rapid economic growth						
China	29.4	8.9	3.5	34.7	65.3	10.0
Indonesia	23.2	5.9	6.7	57.5	42.5	6.8
Belarus	22.0	3.2	36.5	51.7	48.3	4.6
India	21.4	7.5	7.1	57.7	42.3	8.0
Korea, Rep.	19.2	3.2	2.0	51.1	48.9	3.3
Countries with the highest and average level of savings and average or sluggish growth of economy						
Norway	17.8	0.7	2.6	41.7	58.3	2.8
Malaysia	17.5	4.3	0.9	48.7	51.3	4.7
Ireland	15.2	-0.8	-0.5	46.7	53.3	-1.5
Latvia	14.0	-0.8	1.5	62.0	38.0	-10.4
Austria	13.7	0.5	1.6	53.7	46.3	-0.2
Vietnam	13.1	5.7	11.0	65.8	34.2	8.4
Estonia	13.0	0.5	2.4	52.0	48.0	0.4
Denmark	12.9	-0.7	1.7	48.5	51.5	0.6
Tajikistan	12.1	6.5	10.8	113.8	-13.8	8.4
Germany	12.0	0.5	1.4	56.2	43.8	0.7
Moldova	11.8	3.2	6.6	93.9	6.1	3.3
Russian Federation	11.5	1.1	9.1	50.6	49.4	3.8
Pakistan	11.5	3.0	12.9	80.7	19.3	5.2
Azerbaijan	11.4	4.5	4.0	39.6	60.4	8.9
Bulgaria	10.2	-0.2	2.6	63.4	36.6	0.2
Countries with average and low level of savings and the same economic growth						
Belgium	9.8	0.4	1.8	51.5	48.5	-0.6
Turkey	9.8	3.9	6.5	71.1	28.9	3.7
Poland	9.7	2.9	2.4	61.4	38.6	2.5
Argentina	9.0	4.3	16.2	65.7	34.3	1.0
Australia	8.6	2.5	2.7	54.5	45.5	4.2
Spain	7.8	-1.5	0.3	57.6	42.4	-1.5
Lithuania	7.4	-0.1	1.8	65.9	34.1	-8.0
Hungary	7.1	-0.8	2.9	53.0	47.0	-0.6
Iceland	5.4	-0.3	4.2	52.0	48.0	9.2
Brazil	5.3	2.7	7.0	61.3	38.7	3.7
CzechRepublic	4.9	-0.4	0.8	49.3	50.7	-1.3
Armenia	4.7	0.7	3.3	82.6	17.4	-2.2
KyrgyzRepublic	4.3	3.8	9.4	87.7	12.3	1.4
UnitedKingdom	4.1	0.3	2.1	64.5	35.5	0.5
Italy	4.1	-1.5	1.4	61.0	39.0	-1.8
Japan	3.5	0.4	-1.2	60.3	39.7	0.3
UnitedStates	3.5	1.2	1.5	68.4	31.6	1.7
Countries with low and indefinite level of savings						
Ukraine	-1.1	-0.7	10.1	67.4	32.6	0.3
Kazakhstan	-3.5	5.4	11.3	50.0	50.0	10.9
Greece	-6.7	-5.7	0.3	69.9	30.1	-6.1
Turkmenistan	n.a	10.3	8.3	10.6	89.4	n.a
Uzbekistan	n.a	8.2	16.9	54.2	45.8	34.1

Source: World Bank.

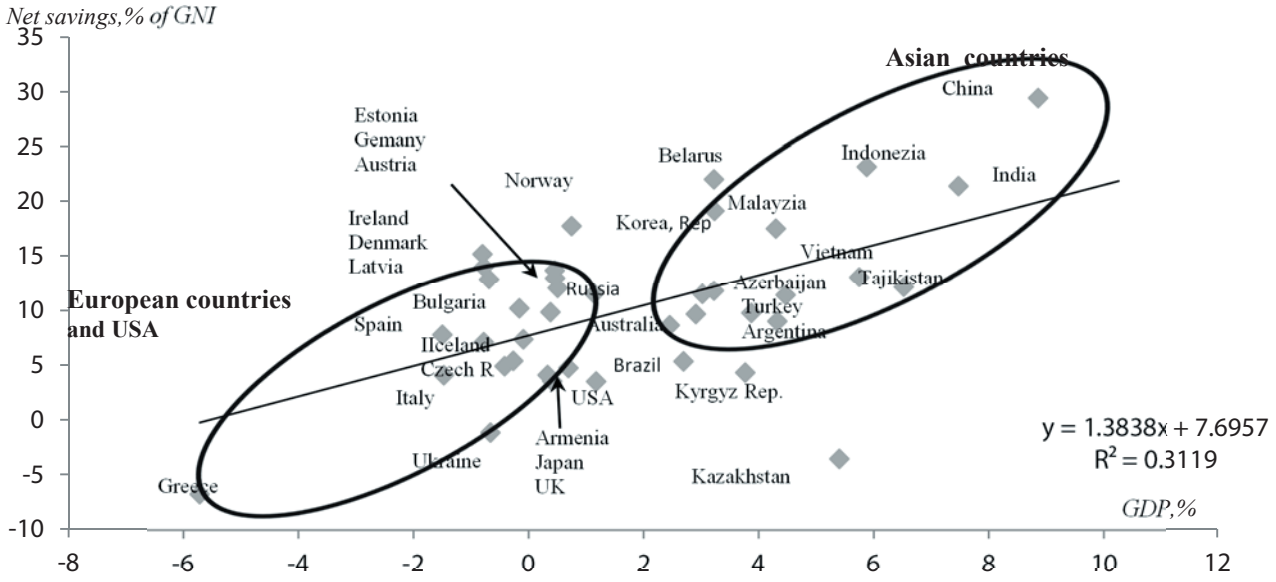


Fig. 3. *Relationship between savings and economic growth in various countries*

economy growth rates in comparison with the countries where the population is focused on consumer behavior (Fig. 3). So, in the field of high values, both on savings and on rates of GDP, the countries with Asian model are presented.

Thus, the analysis in the ratio of consumption and savings of various countries allows to allocate two cardinally different strategy of households: Western (European) – consumer behavior model of households and Asian – saving the model.

Meanwhile, such countries as Russia, Brazil and Kyrgyzstan is at the interface between these two models that allows to assume that these countries have traits of both Asian and European types of households' behavior. On the one hand, in such countries with transitional model of economic behavior, we observe lower rate of economic growth than in countries with Asian model, but, on the other hand, a high prestige and economic opportunities of high education due to opportunities of saving behavior allows to speak about the high potential of human development in the country.

Conclusion

In the conclusion of our research, we note once again that there are two economic models which proceed from differences in understanding of household welfare. The first model is European, which based on the paradigm of welfare maximization and material values satisfaction. This model can be expressed in a high level of consumption and low saving rate. The second model is Asian, based on achieving of household welfare for a prestige in the eyes of others through the prism of education, religiosity or moral principles of society. It is relevant to a greater extent for developing countries. As a result of this principle, households in Asian countries can be characterized by the high level of savings. At the same time, once getting the education, people prefer to fulfill themselves in countries with a European model, which looks more attractive for them. As a result of these contradictions, an imbalance has emerged in the world. Due to this imbalance, Asian countries with high savings rates are suppliers of human resources and lenders for countries with European development model.

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